

LHV GROUP

Presentation to investors – May 2016



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Why list LHV's shares on the stock exchange?

- LHV's mission is to create Estonian capital. We want to give the Estonian people the opportunity to participate in the process, and profit as a shareholder
- LHV has taken the first step on a longer journey. Becoming a publicly traded company helps us strengthen our strategic position and provide us with the „convertible currency“ – tradable shares – required for achieving our growth targets
- LHV has always maintained the capacity of engaging the capital required for growth through closed issues. The purpose of the public offering of shares is not to maximize capital or to engage cheap capital. Capital will be engaged in a relatively low volume, above all for the purpose of strengthening our relations with existing and future customers
- We always keep our promises

Overview

LHV Group

LHV

LHV Group

Overview

- LHV Group is the largest domestic provider of capital in Estonia. LHV's customers include private persons and SMEs. In addition to Estonia, LHV offers financial services in Lithuania
- The services provided to private customers revolve around safeguarding and growing the customer's assets. For business customers, LHV offers smart, flexible financing, along with the management of daily financial affairs
- LHV provides banking services to more than 89,000 customers. LHV's pension funds have more than 135,000 active customers
- LHV employs more than 300 people and has more than 270 shareholders

LHV Group

Business philosophy

- LHV is focused on active, entrepreneurial and independent customers
- LHV's products and services are simple, transparent and relevant. LHV communicates with customers mainly via modern electronic communication channels and through means preferred by customers
- LHV makes an effort to offer only the products and services which set LHV apart from the rest of the market, in a positive way
- Partnership is central to the business pursuits of LHV. Together with its partners, LHV participates in various ventures and initiatives
- LHV is a publicly traded company. LHV welcomes all customers and partners as owners and investors, inviting them to participate in the effort of building a jointly held business

LHV Group

Long-term objectives

LHV has set its sights on:

- being the best financial service provider to private customers engaged in saving and investment, as well as to SMEs
- serving as an attractive and respected employer, endorsing progress, self-realisation and growth
- pursuing an annual return of 20% on the equity engaged
- becoming the most appreciated publicly traded company in Estonia, with the largest number of shareholders

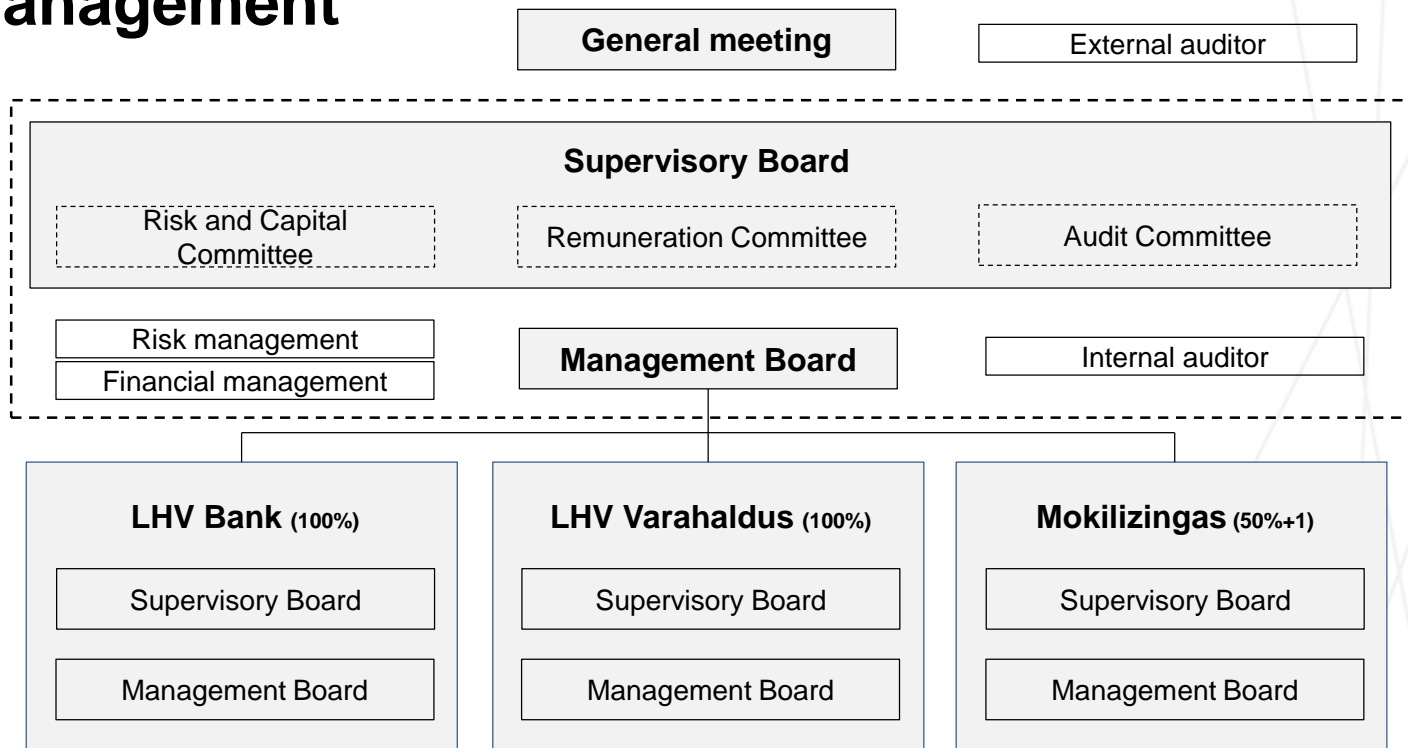
Estonia's Most Desirable Employer 2016 (CV Keskus)*

1. (1) Eesti Energia
2. (2) Skype Technologies
3. (4) Eesti Telekom
4. (3) Transferwise Ltd Estonia branch
5. (5) Swedbank
6. (98) Tallink Grupp
7. (8) Playtech Estonia
- 8. (17) LHV Bank**

NASDAQ Tallinn regulated market (March 2016, EURm)**

Company	Market value
Tallink Grupp	632
Tallinna Vesi	298
Olympic Entertainment Group	297
Tallinna Kaubamaja Grupp	293
Merko Ehitus	158

LHV Group Management



Economic results and business volumes

EURt	2011	2012	2013	2014	2015	
Net interest income	3 517	6 057	11 838	20 343	23 232	
Net fee and commission income	5 153	6 388	9 426	12 772	14 665	
Other income	-1 023	894	2 769	484	3 368	
Total income	7 647	13 339	24 033	33 600	41 265	52%
Total expenses	13 530	14 048	16 743	21 738	24 241	16%
Operating profit	-5 883	-710	7 290	11 862	17 024	
Impairment losses on loans	2 607	1 074	2 872	2 644	1 367	
Income tax expense	0	0	83	-449	869	
Profit	-8 457	-1 757	4 345	9 667	14 787	

EURt	2011	2012	2013	2014	2015	
Deposits	209 186	280 007	352 852	457 923	617 222	
Loans	66 680	106 067	206 768	315 842	409 995	
Net asset value of funds	144 024	252 888	376 480	504 316	570 221	
Return on equity*	-	-	16,5%	21,4%	21,0%	

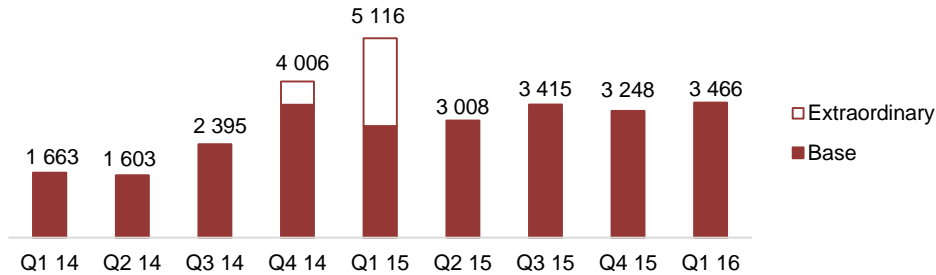
- Average annual growth in revenue for the last 5 years: 52%, growth in expenses: 16%
- All core business areas profitable since 2013, with ROE exceeding cost of capital
- The Group's loan activities financed by deposits. Deposit volume exceeds loan volume by 200 EURm
- Return on equity for the last two financial years (including extraordinary revenue): 21.4% and 21.0%*

* The return on equity ratio is based on the profit and equity attributable to owners of AS LHV Group, and does not include non-controlling participation.

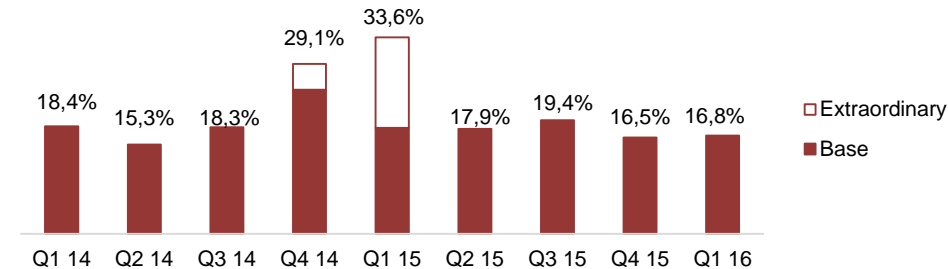
LHV Group

Good start in 2016

Net profit for the quarter (EURt)



ROE (attributable to owners of the parent company)



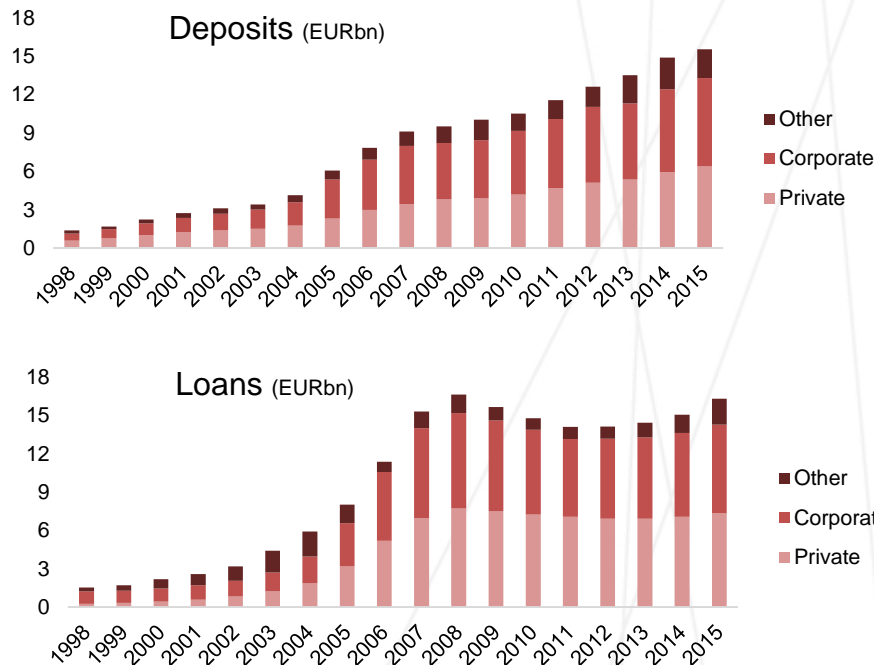
- Faster-than-expected growth in customer numbers, both in Bank and Asset Management
- All business areas are viable and gaining ground
- Basic result has remained stable and has been growing for the last two years
- We are in a positive credit cycle, which is expected to continue
- Listing of shares on the stock exchange signifies the next stage of development

Business areas
LHV Bank

LHV

Market overview – deposits and loans are in balance

- There are 16 banks operating in Estonia
- The volume of deposits in the banking market amounts to EUR 15 billion
 - Deposits have grown every year over the past 22 years
 - The aggregate market share of the four largest banks is 86%
 - Average annual growth for the last three years: 970 EURm
- The volume of loans in the banking market amounts to EUR 16 billion
 - After a four-year decline, the volumes have, once again, been growing slightly since 2013
 - The aggregate market share of the four largest banks is 89%
 - Average annual growth for the last three years: 720 EURm



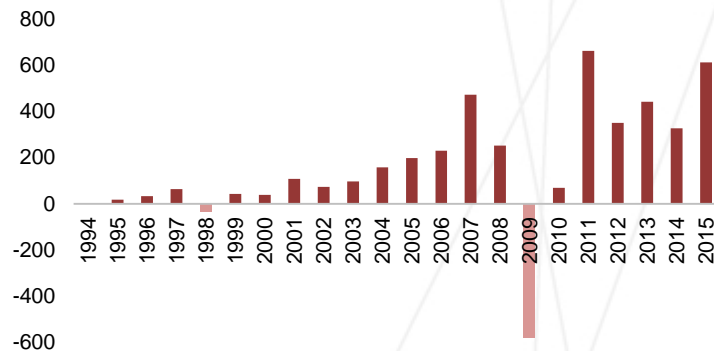
Market overview – banking market is profitable

- Market's annual revenue base: 650 EURm
 - Net interest income: 420 EURm
 - Net fee and commission income: 160 EURm
 - Net other income: 70 EURm
- Market's annual cost base: 290 EURm
- Market's operating profit: 360 EURm

- Net profit volatility is mainly attributable to loan provisions of previous periods

- Market profits have been negative in only two years out of the last 22 years

Profit posted by the Estonian banking market (EURm)



Business philosophy

- **LHV Bank is focused on active, entrepreneurial and independent customers**
 - LHV Bank's customers are private persons engaged in saving and investment, and SMEs
 - Financial products are offered to private persons via a partner network
 - Modern service channels are used for communicating with customers
 - LHV Bank does not operate a wide office network and does not provide cash services at its offices
- **LHV Bank is an innovative bank with sound experience in investment and entrepreneurship**

LHV's core products

- pension
- deposits
- investments
- business loans
- payments/cards

Products offered via partners

- credit cards
- leasing
- hire-purchase
- consumer loans

Economic results and business volumes

EURt	2011	2012	2013	2014	2015	
Net interest income	3 577	6 209	10 495	16 904	18 758	
Net fee and commission income	2 789	2 591	2 981	3 558	4 853	
Other income	-796	459	2 405	372	3 136	
Total income	5 570	9 258	15 882	20 834	26 747	48%
Total expenses	9 444	9 922	10 995	13 310	15 536	13%
Operating profit	-3 874	-663	4 887	7 524	11 211	
Impairment losses on loans	2 607	1 074	2 619	1 970	670	
Income tax expense	0	0	0	-600	600	
Profit	-6 481	-1 737	2 268	6 154	9 941	

EURt	2011	2012	2013	2014	2015	
Deposits	209 355	282 021	356 308	462 027	629 229	32%
Loans	66 680	106 067	204 562	312 790	405 409	
Return on equity*	-	-	11,4%	16,7%	17,8%	

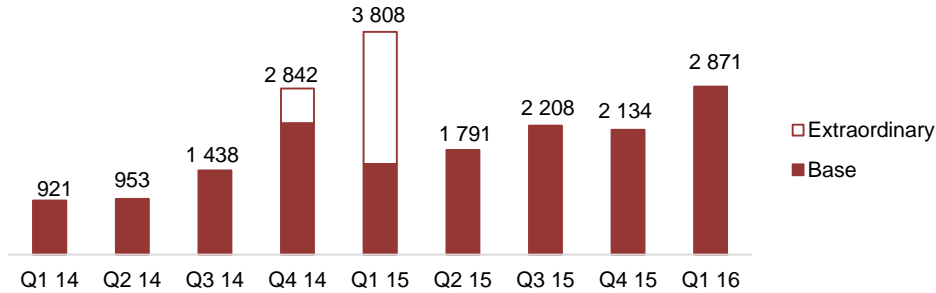
- Main source of income: interest income from issue of loans
- Fee and commission income from brokerage and brokerage service providers
- Other income and impairment losses on loans in 2015 are mainly attributable to the Finnish portfolio
- Lending activities fully financed by deposits
- 70% of loans are business loans, with retail loans contributing 22% and financing by Mokilizingas 8%

* The return on equity ratio is based on the profit and equity attributable to owners of AS LHV Pank, and does not include non-controlling interest.

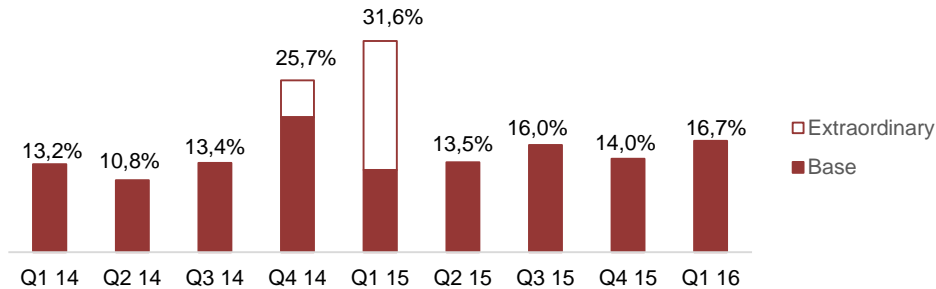
LHV Bank

Good start in 2016

Net profit for the quarter (EURt)



ROE (attributable to the owners of the parent company)



- Deposits grew by 26 EURm and loans by 22 EURm in Q1
- More than 6,800 new customers have opened an account in the first three months. Records have been broken in payments, card payments and card payment acceptance
- The asset quality remains high. The positive credit cycle continues
- The bank was acknowledged as a desirable employer, the bank with the best service and the best stock exchange company in the Baltics

LHV Bank

Business areas

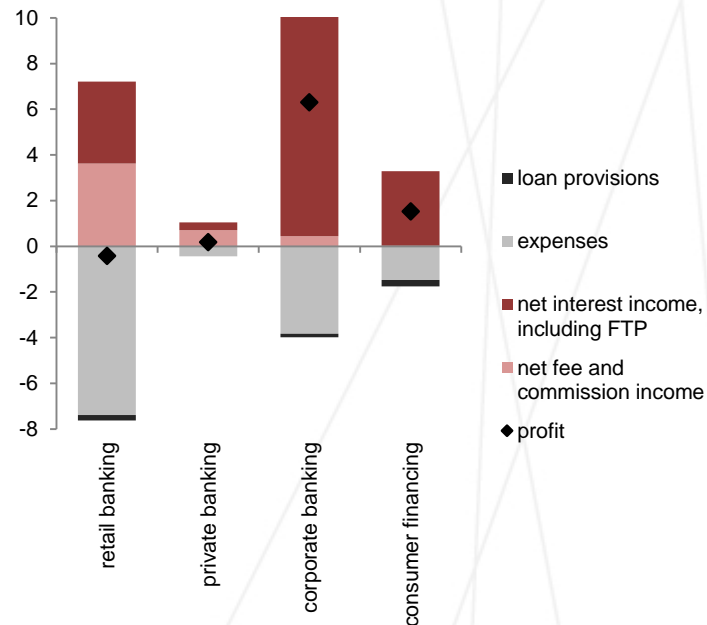
Retail banking – Active and independent private persons, well-off individuals (Au-customers) and SMEs. Everyday banking services, with a focus on savings and investments. Communication with customers via electronic channels.

Private banking – Wealthy private persons, entrepreneurs and managers. Mainly deposit, investment and portfolio management. Communication with customers via private banking customer managers.

Corporate banking – SMEs. Mainly financing products. Communication with customers via experienced and well-connected business customer managers (local relationship banking).

Consumer financing – Mainly hire-purchase of durable goods and consumer loans. Offered via partners.

Profitability of business areas 2015
(EURm)



Objectives and prospects

- **We have positioned ourselves as the third-largest full-service home bank in Estonia**
 - Our long-term ambition is to become a structurally important bank in Estonia, ranking among the top three banks in terms of customer numbers and business volumes, as well as efficiency and profitability per employee
- **We focus on customer relations – user convenience and customer experience**
 - The key banking products and the basic offering have been established. We will continue our active sales and marketing to win new customers. We will focus on developing our e-channels. We will constantly improve our mobile bank and internet bank
- **Our long-term vision is to serve as a part of a modern European banking infrastructure**
 - Beyond Estonian borders, we have positioned ourselves as the next-generation *fintech* bank, which is able to integrate and serve as the connection point between traditional banking and the next-generation financial services. We are moving towards open banking and API, which will establish the basis for efficient cooperation with various payment service providers across Europe

Business areas

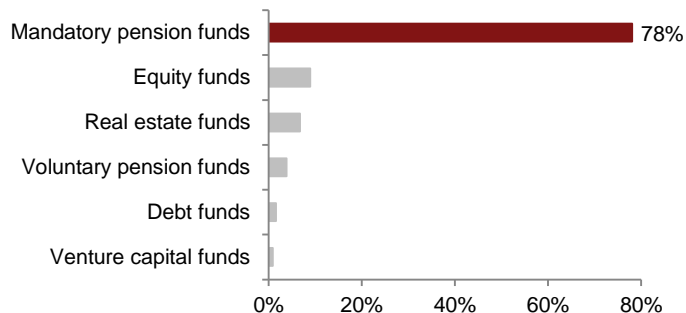
LHV Asset Management

LHV

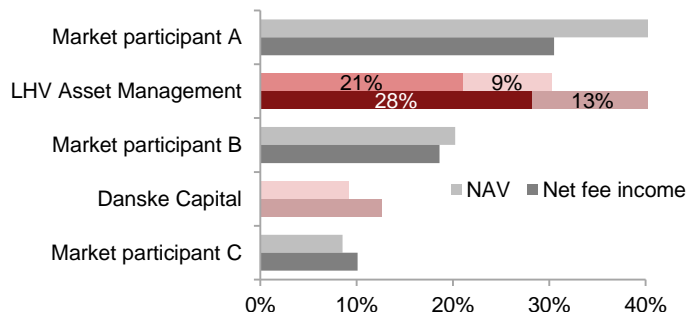
LHV Asset Management

Market overview

Market value of funds, % of total market (December 2015)



Market shares of mandatory pension funds (December 2015)

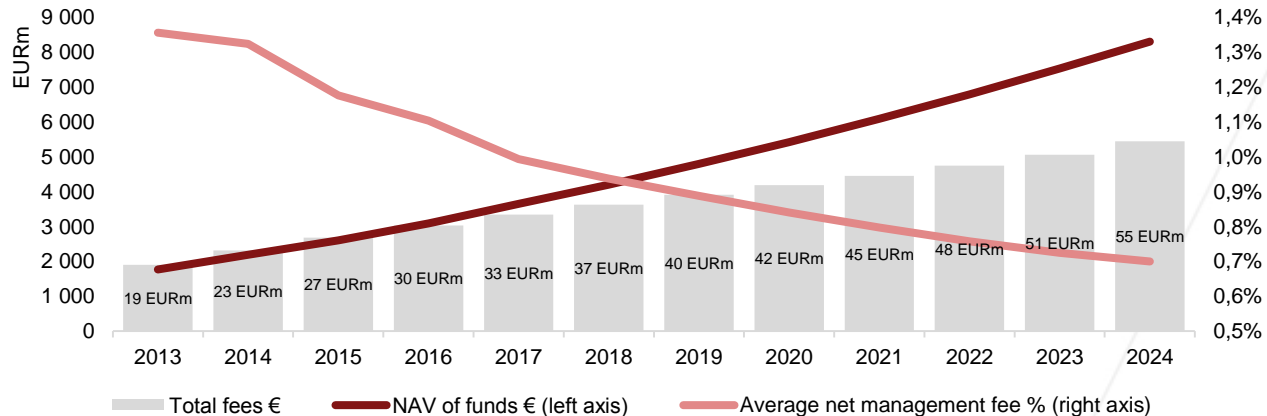


- LHV Asset Management is focused, above all, on mandatory pension funds
- Mandatory pension funds make up 78% of the investment funds market in Estonia
- NAV of assets under management: EUR 2.6 billion (December 2015)
- Number of pension fund customers: 677,000 (December 2015)
- Net fee income amounted to EUR 27 million in 2015
- **LHV Asset Management earned 27% of the pension market service fees in 2015**

Second-pillar pension market forecast

- Mandatory pension funds are in the stage of strong organic growth, with the number of subscribers reaching the payout stage in the next few years being small
- The fee for the management of mandatory pension funds is regressive, bottoming at 0.5% upon increase in volume. Third-party expenses directly related to volume amount to approximately 0.2%
- The market's average net management fee depends on the number of management companies (to be reduced from five to four)

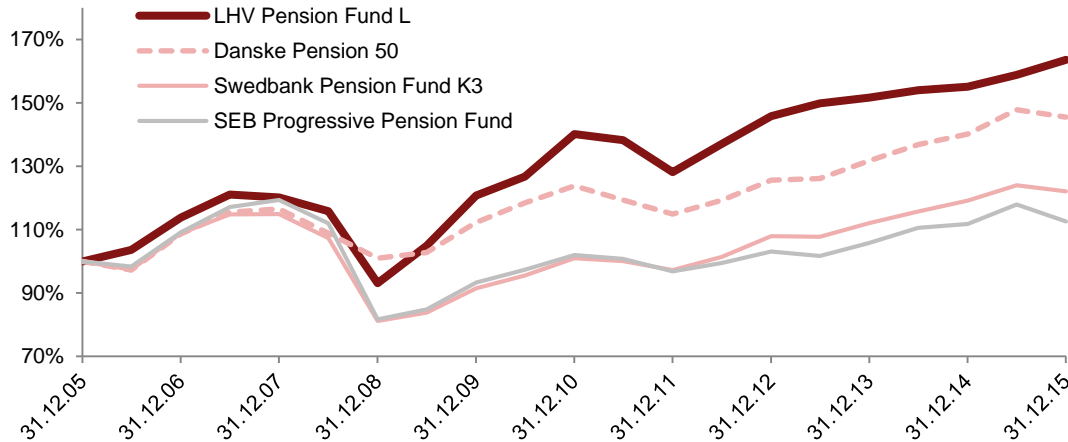
Average net management fee, system volumes and total fees



Net fee income consists of the management fee, less depositary's charge, Guarantee Fund payment and volume-based payments to the Financial Supervision Authority and the Estonian CSD

Market leader in terms of long-term yield

- LHV's pension funds rank first in all risk categories in terms of long-term yield (10 years)
- Danske Capital AS's funds, which were purchased by LHV, have provided second-best long-term yields
- Due to the investment strategy chosen, the short-term yields of LHV's funds fell short of those of its competitors in the middle of 2014. This affected customer exits and new sales



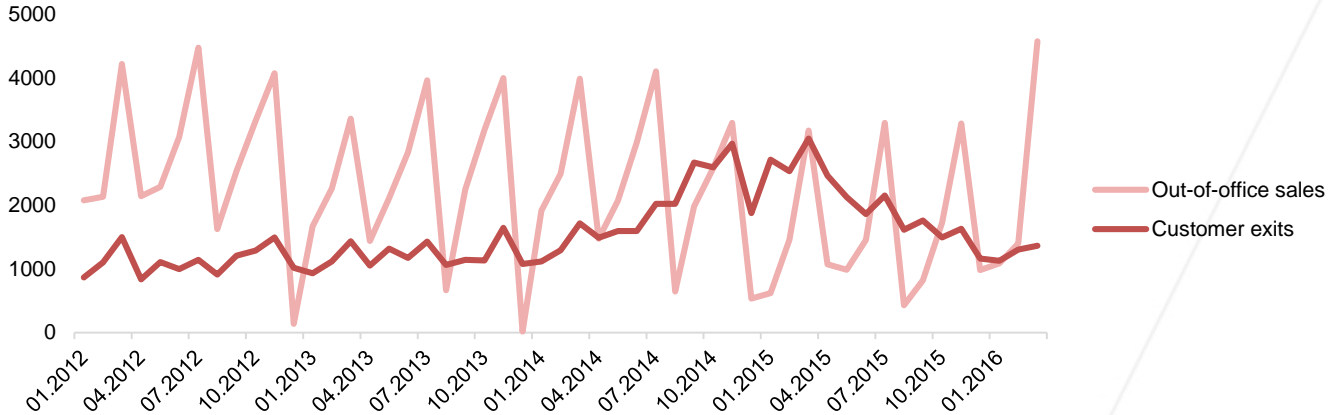
Historical rates of return of the fund do not constitute a promise or an indication of the future performance of the fund. The average rates of return for the previous two, three and five calendar years: LHV Pension Fund L: 3.84%, 3.90% and 3.13%. Danske Pension 50: 5.08%, 5.04% and 3.29%; Swedbank Pension Fund K3: 4.35%, 4.17% and 3.86%; SEB Progressive Pension Fund: 3.18%, 2.98% and 2.00%. Funds operating for less than 10 years have been left out of the comparison.

LHV Asset Management

Unique sales strategy

- Customers are mainly engaged through out-of-office sales
- LHV Asset Management does not segregate the second-pillar management fees (costs are incurred at the time of sale)
- Sales are seasonal – subscribers may transfer the second-pillar funds to another fund three times a year
- A relatively weaker yield affects both loyalty and sales (e.g. second half of 2014 and first half of 2015)

Out-of-office sales and customer exits



Economic results and business volumes

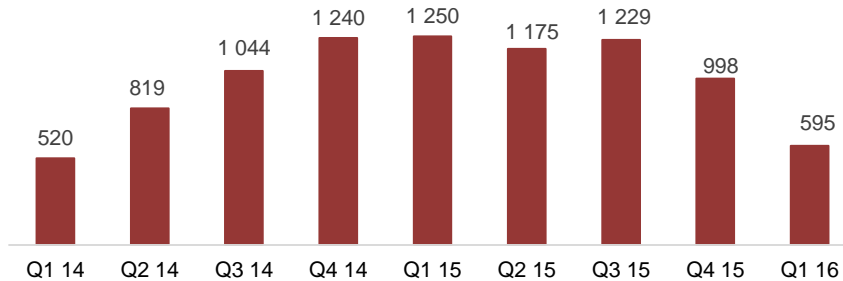
EURt	2011	2012	2013	2014	2015	
Net fee and commission income	2 377	3 804	5 810	8 456	9 196	
Total income	2 403	3 831	5 810	8 456	9 196	40%
Marketing expenses	2 879	2 448	2 091	2 463	1 910	
Other expenses	1 200	1 591	2 162	2 551	2 893	
Total expenses	4 079	4 039	4 253	5 013	4 803	
Operating profit	-1 676	-208	1 558	3 443	4 393	
Other financial income	-341	333	183	180	259	
Profit	-2 017	124	1 741	3 622	4 652	

EURt	2011	2012	2013	2014	2015	
Fund customers	98 100	120 215	137 718	152 352	147 337	
NAV of funds	144 024	252 888	376 480	504 316	570 221	41%
Return on equity	-	4,3%	40,3%	51,6%	51,7%	

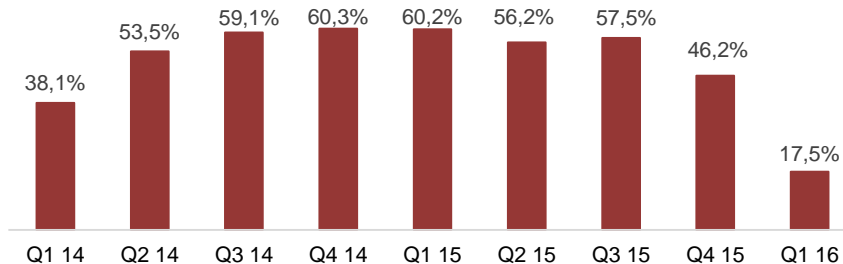
- Growth in net fee income has been in correlation with the growth in the NAV of funds. From the summer of 2015 the growth in net fee income has been slower
- Marketing expenses constitute an investment in business growth. Marketing expenses were lower in 2015, against the modest out-of-office sales
- Since 2013, Asset Management is able to finance further organic growth from profit. EUR 4.45 million was repaid in capital to the Group in 2015
- ROE has remained high against the drop in customer numbers. A lower ROE is expected against the backdrop of changes in fee regulations and stable or growing customer numbers

New customers fuel business growth

Net profit for the quarter (EURt)



ROE

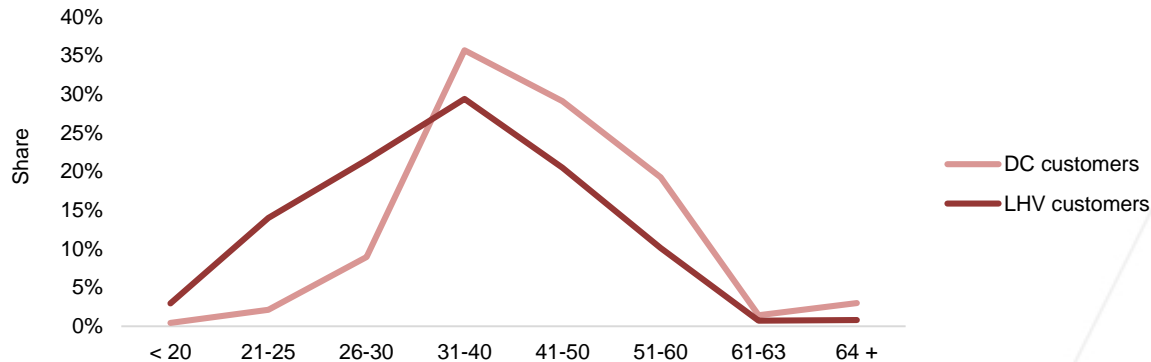


- Drop in active customer numbers triggered a short-term rise in fees in 2014–2015
- LHV pension funds ranked first in all categories in terms of yield in 2015, with the trend continuing in Q1 2016
- Record-breaking growth in customer numbers in Q1 and the consequent increase in marketing expenses
- Purchase of Danske Capital to add EUR 250 million to assets under management

Purchase of Danske Capital AS

- Danske Capital funds engage 6% of second-pillar customers, but have a market share of 9% in terms of volume
- Increase in the number of middle-aged customers contributes to a rise in average amounts collected
- Customer income of LHV Asset Management is comparable with Danske Capital
- The two management companies are to be merged by the end of 2016

Age breakdown of the customers of LHV and Danske Capital



LHV Asset Management

Objectives and prospects

LHV Asset Management pursues the objective of offering the highest long-term yield to fund investors

- The mandatory funded pension market is in a stage of long-term organic growth
- The NAV of mandatory pension funds grew by 24% in 2015 and 19% in 2015
- In 2014 - 2017, the state's contribution will be 50% higher for more than a half of LHV's second-pillar customers
- LHV's growth is supported by better long-term fund performance, compared to competitors
- The purchase and merger of Danske Capital AS will raise the number of second-pillar customers of LHV Asset Management by 30% and the NAV of second-pillar funds by 40%

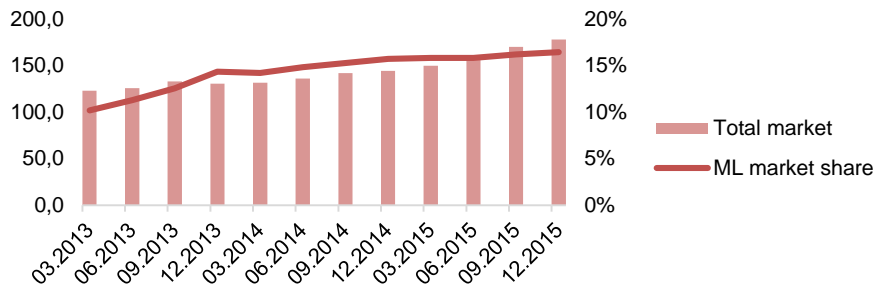
Business areas
Mokilizingas

LHV

Mokilizingas

Overview of the Lithuanian consumer financing market

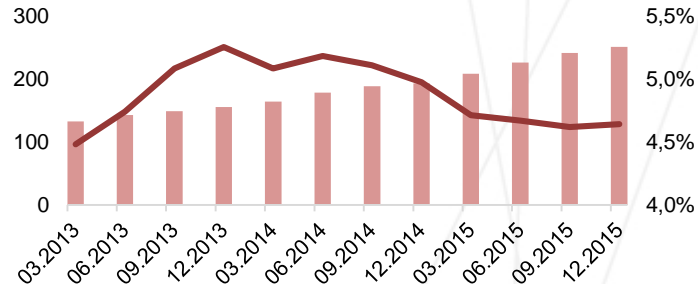
Hire-purchase market volume* (EURm)



EURm

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
HP new sales*								
Total market	30	33	37	39	33	40	40,4	53,4
Mokilizingas	6	8	8	9	8	9	10,6	10,2
Market share	19%	24%	22%	24%	25%	23%	26%	19%

Consumer loan market volume** (EURm)



EURm

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
CL new sales*								
Total market	50	58	57	55	62	71	72	65
Mokilizingas	1	2	2	2	2	3	3	3
Market share	3%	4%	4%	4%	3%	4%	4%	4%

* Includes car leasing for private persons. Without car leasing, ML's market share is approximately 2 times greater and new sales approximately 1.5 to 2 times higher

** Does not include credit institutions

Sources: Lithuanian Banking Union, Central Bank of Lithuania, estimates of MokiLizingas

Economic results and business volumes

EURt	2013	2014	2015
Net interest income	2 743	3 857	4 884
Net fee and commission income	1 677	760	618
Total income	4 414	4 615	5 502
Total expenses	2 554	3 173	3 442
Operating profit	1 860	1 442	2 060
Loan provisions	129	674	697
Income tax	224	151	269
Profit	1 507	617	1 094

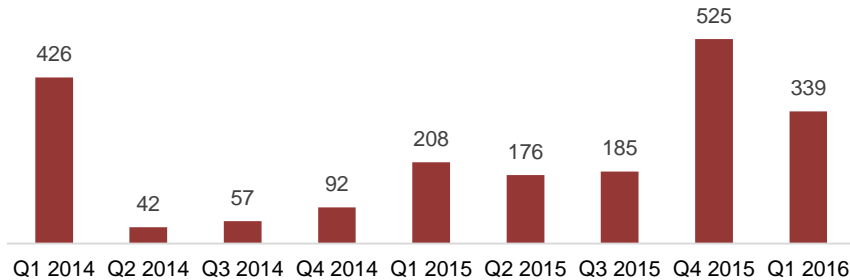
EURt	2013	2014	2015
Loans	26 280	30 126	37 677
Return on equity	46,6%	17,4%	24,9%

- LHV consolidates MokiLizingas since July 2013
- Mokilizingas has managed selected credit portfolios of Snoras Bankas (which has terminated its operations), and charged fees for the service. By today, the related income is no longer significant
- Mokilizingas has reversed the previous decline in the portfolio
- Credit quality remains high and stable
- ROE in 2015 amounted to 24.9%

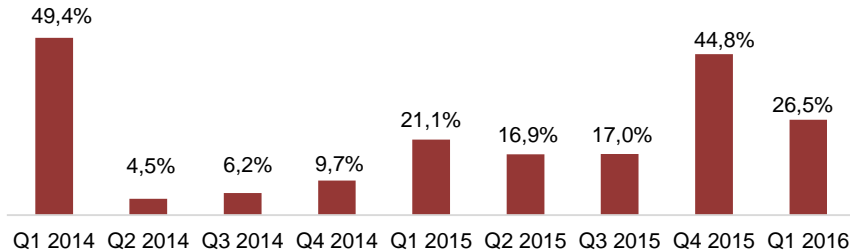
Mokilizingas

Start of the year met expectations

Net profit for the quarter (EURt)



ROE



- Consumer financing is modest in the start-of-the-year off-season. The portfolio contracted by EUR 0.5m in the quarter
- Tight price competition prompts careful selection of sales partners
- Major investments in product development. Credit card testing to commence in Q2
- Credit quality remains stable

Objectives and prospects

- Mokilizingas' unambiguous, transparent pricing and innovative products allow the company to stand out in a highly competitive market
- To prevent excessive merchant fees, Mokilizingas is developing its own electronic channels. Mokilizingas's credit card will be launched (via LHV Bank) in 2016
- The first steps have been taken towards expanding business into Latvia
- Mokilizingas pursues the objective of building a regional high-quality consumer financing business with a minimum ROE of 20%

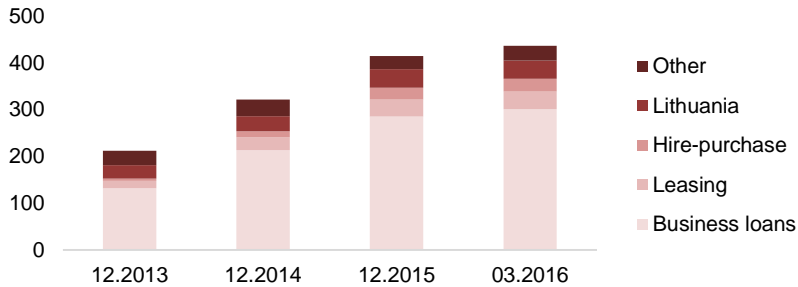
Asset quality

LHV

Asset quality

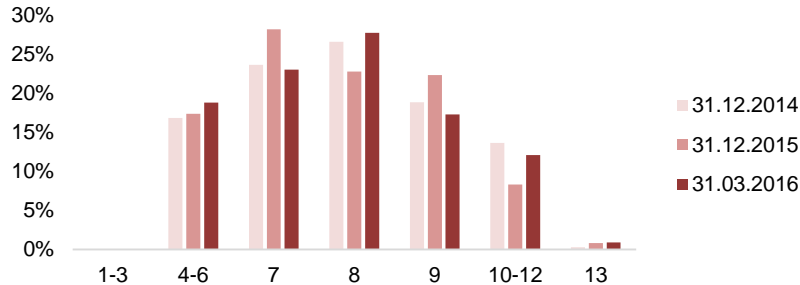
Growth fuelled by business loans

Loan portfolio volume (EURm)

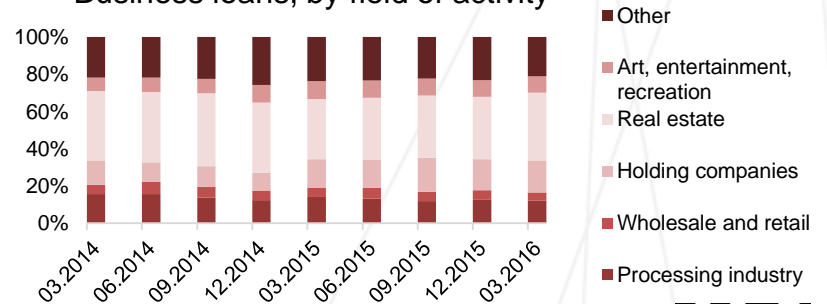


- Business loans make up a bulk of the Group's loan portfolio
- A majority of business loans involve real estate financing
- Major loans are liable to affect the risk level of the business portfolio in terms of ratings. At the beginning of 2016, the ratings of two major loans were lowered

Business loans, by ratings



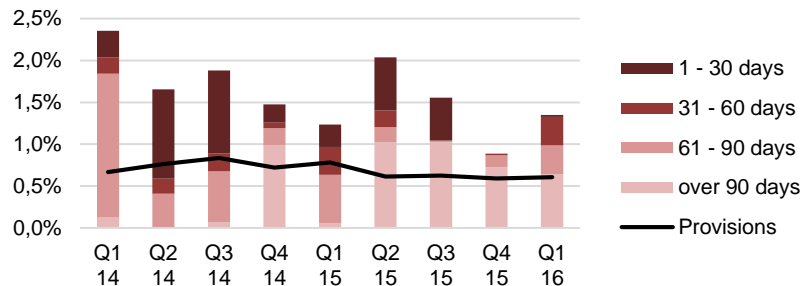
Business loans, by field of activity



Asset quality

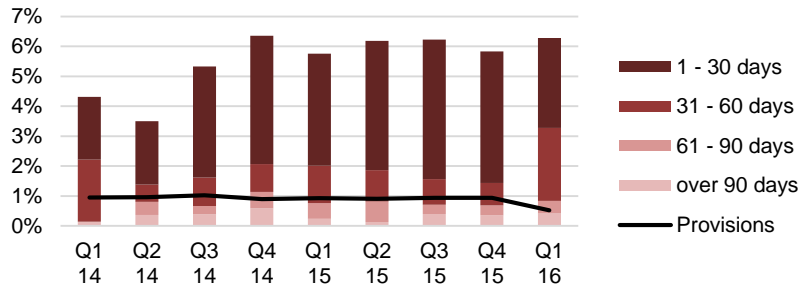
Portfolio of overdue loans remains stable

Business loans

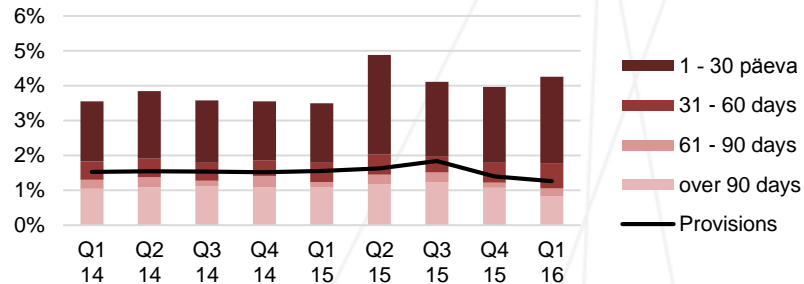


- The portion of overdue business loans has decreased. Overdue debt is well secured
- Leasing debt remains stable. Debt collection allowed to lower provisions
- Hire-purchase debt remains stable. Debt collection allowed to lower provisions
- Asset quality has remained strong

Leasing



Hire-purchase

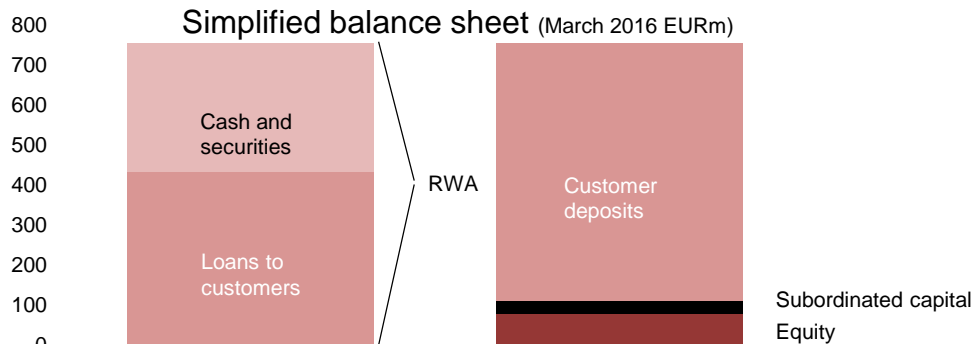


Capital and liquidity

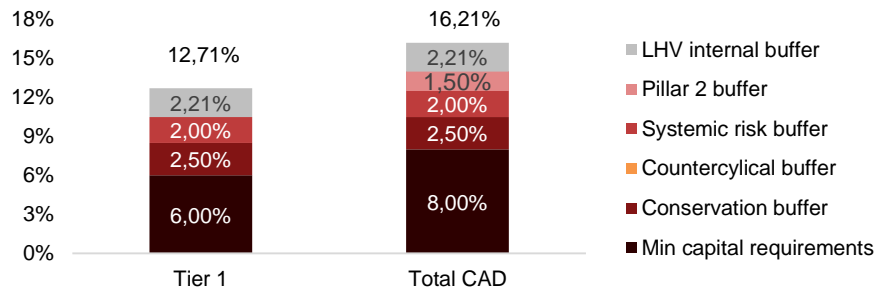
LHV

Capital and liquidity

Equity and own funds



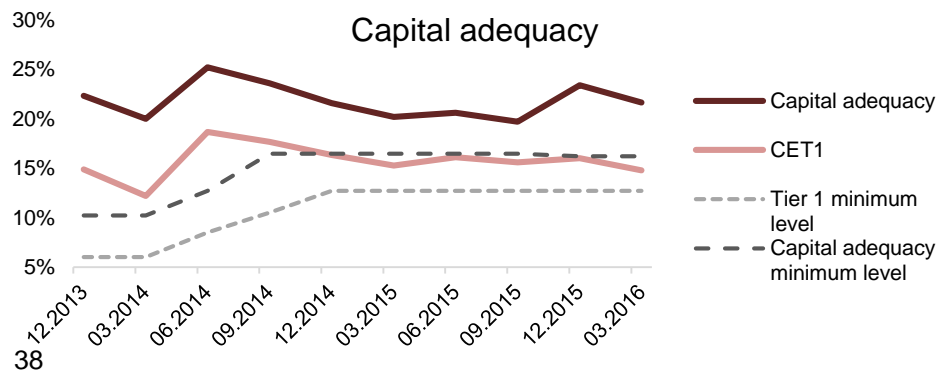
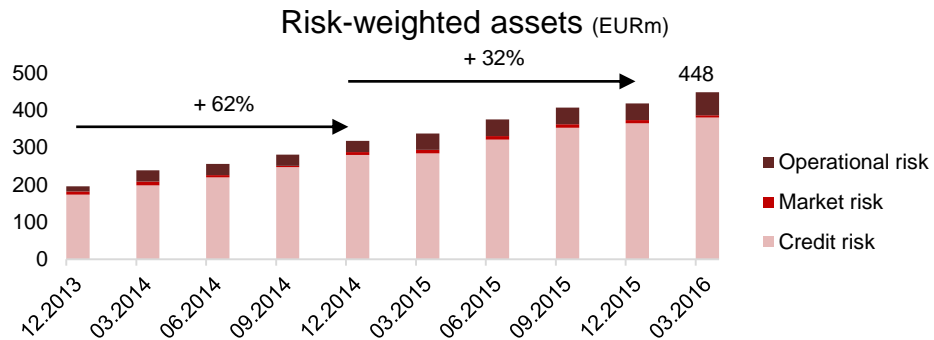
Capital requirements



- Balance sheet and off-balance sheet assets of the Group and the Bank are weighted by risk to determine the risk-weighted assets (RWA)
- Own funds comprise equity and subordinated capital
- The Group and the Bank maintain the required equity and own funds in relation to RWA
- The minimum equity to RWA ratio of the Group and the Bank is 12.70% and the minimum ratio of own funds 16.20%
- Asset management is subject to a different capital regulation

Capital and liquidity

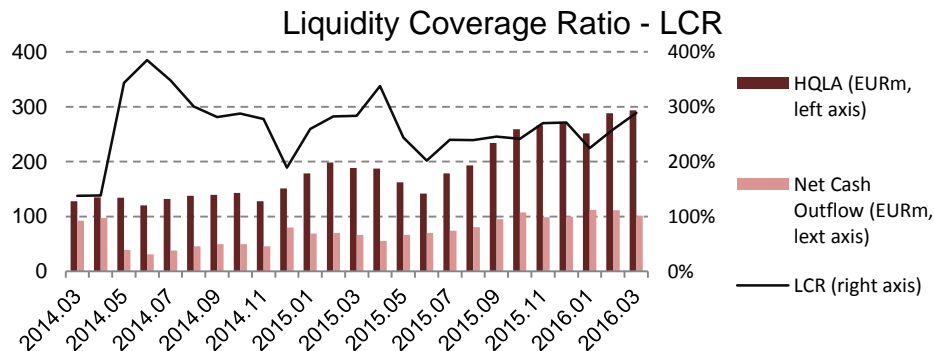
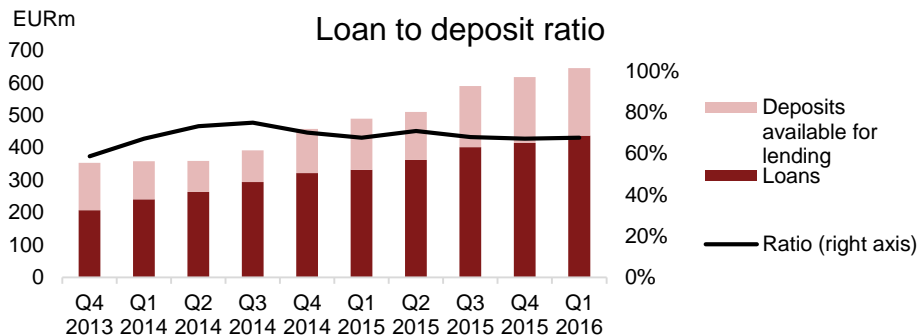
RWA growing faster than self-generated capital



- The growth in the Group's RWA is decelerating but still exceeds ROE
- A bulk of RWA is subject to credit risk, i.e. LHV Bank's lending activities
- The minimum capital adequacy levels have been raised, and have stabilized
- LHV Group is about to engage new equity in order to support business growth in LHV Bank

Capital and liquidity

Conservatively financed and liquid



- The Group is financed conservatively. Loans amount to 68% of the deposits engaged
- Deposits mainly include granular demand deposits. Term deposit volumes have shown no growth for three years
- Regulatory LCR level is 100%. Actual liquidity exceeds the required level by two or three times

Share and shareholders

LHV

Share and shareholders

Major shareholders of LHV Group

- AS LHV Group has **23 356 005** ordinary shares with a nominal value of 1 euro
- As at 31 March 2016, AS LHV Group had 272 shareholders

Shareholder (Top 10)	Participation (%)
AS Lõhmus Holdings	14,4
Rain Lõhmus	12,9
Andres Viisemann	7,0
Ambient Sound Investments OÜ	6,1
OÜ Krenno	5,2
AS Genteel	4,3
AS Amalfi	4,0
OÜ Kristobal	3,0
SIA Krugmans	2,8
Bonaares OÜ	2,5

including	Participation (%)
Supervisory Board and Management Board	55,5
Staff members	3,4

Share and shareholders

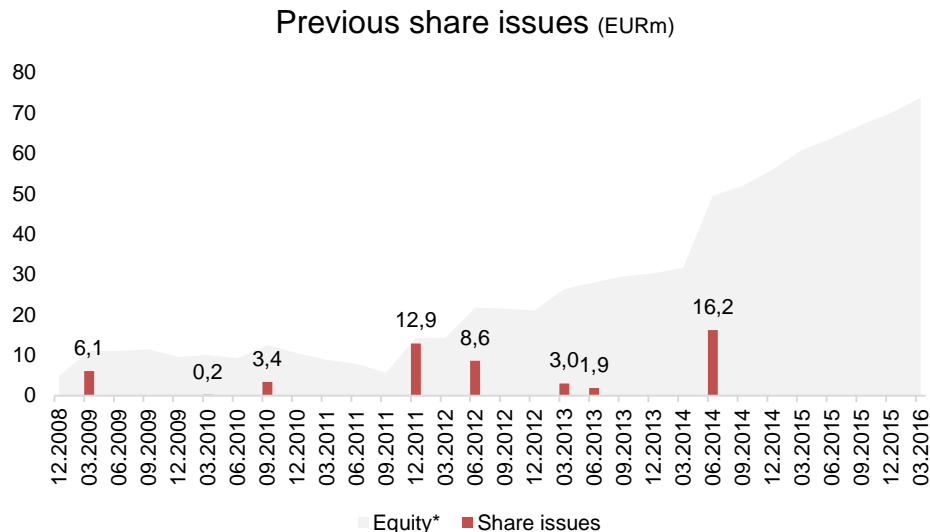
Share option programme

- The purpose of the share option programme is to create conditions where the long-term objectives and interests of the management and equivalent staff of AS LHV Group and the group companies would be harmonized with the long-term interests of the shareholders of AS LHV Group
- Options are issued each year within a maximum of two per cent of the total number of the shares of AS LHV Group
- The term of the option programme is five years, plus the time of realization of the options
- The term of realization of the options is three years

EUR	Number of shares underlying the options	Subscription price	Market price of underlying assets	Option costs	Number of individuals
For 2013	411 337	2,00	3,95	648 000	35
For 2014	278 598	2,40	4,80	681 000	48
For 2015	270 322	3,00	6,00	826 000	48
Total	960 257				

Share and shareholders

Engagement of equity



* Equity held by the shareholders of AS LHV Group

- Major capital was first engaged in 2009 in connection with the application for the authorization of LHV Bank
- LHV Group posted the first profit in 2013. Previous capital engagements occurred in the conditions of accumulated loss
- Convertible bonds have been used for engaging capital on two occasions. The last convertible bonds were redeemed at the end of 2015
- The planned issue of 13.9 EURm will be carried out under conditions similar to previous issues

IPO - public offering of shares and
listing of the shares on the Tallinn
Stock Exchange

LHV

IPO

Public offering and listing of shares

LHV is planning to issue 2 000 000 new shares at a price of 6.95 euros per share. The issue of new shares amounts to 8.56% of LHV's current shares. The issue targets Estonian retail and institutional investors. This constitutes an initial public offering of shares, with all shares of LHV to be listed on the NASDAQ Tallinn Stock Exchange Baltic Main List thereafter

The offering period will commence on 2 May 2016 at 9:00 (local time in Estonia) and end on 16 May 2016 at 17:00 (local Estonian time).

LHV will decide on the allocation of the offered shares after the end of the offering period, on 18 May 2016 at the latest. The offered shares will be allocated to the participating investors according to the following principles:

- LHV has the right to prefer existing shareholders and bondholders to other investors;
- LHV has the right to prefer existing customers to other investors;
- all investors are treated equally under similar circumstances.

The offered shares allocated to the investors will be transferred to the investor's securities account on or around 20 May 2016 based on the delivery-versus-payment principle, in exchange for the payment offered for the shares.

Additional information on the issue is available in the prospectus for public offering, listing and admission to trading of the shares of AS LHV Group: investor.lhv.ee

The interim report for Q1 2016 is available on LHV's website at: <https://www.lhv.ee/en/for-investors/reports/interim/>

IPO

Summary of risks (I)

Investing in the securities issued by LHV Group entails various risks. Every potential investor should thoroughly consider the risks involved, the scope and probability of the risks, and other relevant circumstances. If the risks materialize, investors may lose a part or all of the value of their investment. Below, please find examples of risks which, if materialized, may reduce the value of LHV and the securities issued by LHV.

Counterparty credit risk. Counterparty credit risk is inherent to the core operations of the LHV. Counterparty credit risk is the risk of potential loss which may arise from counterparty's inability to meet its obligations to the LHV companies.

Concentration risk. The operations of the LHV are subject to concentration risk, which by essence is a risk arising from the overall spread of outstanding accounts over the number and variety of customers. If loans are heavily concentrated in a certain economic sector, the LHV is exposed to risks inherent to such economic sector.

Market risk. Market risk arises from the LHV's trading and investment activities in the financial markets, primarily in interest rate products, foreign exchange and stock markets as well as from borrowing activities and other means of taking in financial resources.

Foreign currency risk. Foreign currency risk arises primarily from the acquisition of securities denominated in foreign currencies or from foreign currency receivables and liabilities.

Price risk. LHV holds positions in different financial instruments, which are subject to fluctuations in market price arising from various circumstances beyond the control of LHV.

Interest rate risk. The operations of LHV and foremost the operations of LHV Bank are inherently exposed to interest rate risk. Interest rates are affected by numerous factors beyond the control of the LHV companies, which may not be estimated adequately.

Liquidity risk. Liquidity risk relates to the ability of the LHV to meet its contractual obligations on time and it arises from differences between maturities of assets and liabilities.

IPO

Summary of risks (II)

Operating risk. Operating risk is a risk of potential loss caused by human, process or information system failures and flaws. In addition to human, process or information system failures and flaws, the operating risk embraces risk of corporate fraud and misconduct.

Dependency on information technology systems. LHV has developed and uses a variety of custom-made information technology systems and web-based solutions in carrying out its everyday business operations and providing services to its customers. Failures of or significant disruptions to LHV's information technology systems could prevent it from conducting its operations.

Dependency on cash flows from subsidiaries. AS LHV Group is a holding company conducting its operations through the Subsidiaries. AS LHV Group itself does not own significant assets other than investments into the Subsidiaries. Therefore, in order to be able to meet its obligations arising from the Bonds, LHV is dependent on the receipt of dividends, interest payments or payments from share capital decrease from its Subsidiaries.

Dependency on qualified staff. The results of operations of LHV companies depend highly on the ability to engage and retain qualified, skilled and experienced staff. In the highly competitive environment, LHV companies must make continuous efforts to attract new

qualified personnel and motivate existing management and employees.

Competitive market. LHV operates in a highly competitive market.

Exposure to conduct of other market participants. LHV's access to financing, investment and derivative transactions may be adversely affected by market practices of other market participants.

Control over joint ventures. The operations of joint ventures (LHV Finance and Mokilizingas) may be adversely affected by the joint venture partners of LHV.

Changes in economic environment. Each of LHV's operating segments is affected by general economic and geopolitical conditions.

Exposure to regulative changes. LHV operates in highly regulated fields of business and its operations are subject to a number of laws, regulations, policies, guidance and voluntary codes of practice, which are subject to changes.

IPO

Summary of risks (III)

Maintaining capital adequacy ratios. Credit institutions and investment firms are subject to strict capital adequacy requirements subject to frequent reforms and changes.

Exposure to regulatory actions and investigations. LHV provides various financial services and products and is therefore subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Several local and European authorities, including financial supervision, consumer protection, anti-money laundering, tax, and other authorities, regularly perform investigations, examinations, inspections and audits of LHV's business, including, but not limited to regarding capital requirements, standards of consumer lending, anti-money laundering, anti-bribery, payments, reporting, corporate governance, etc.

Contractual risks. The operations of LHV are materially dependent on the validity and enforceability of the transactions and agreements entered into by LHV.

Exposure to civil liability. LHV operates in a legal and regulatory environment that exposes it to significant risk of claims, disputes and legal proceedings.

Tax regime risks. Tax regimes of the geographical markets where LHV operates are from time to time subject to change, some of which may be dictated by short-term political needs and may therefore be unexpected and unpredictable.

Annexes

LHV

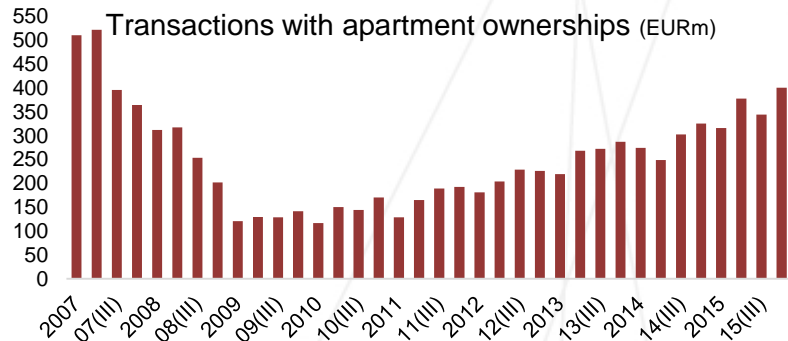
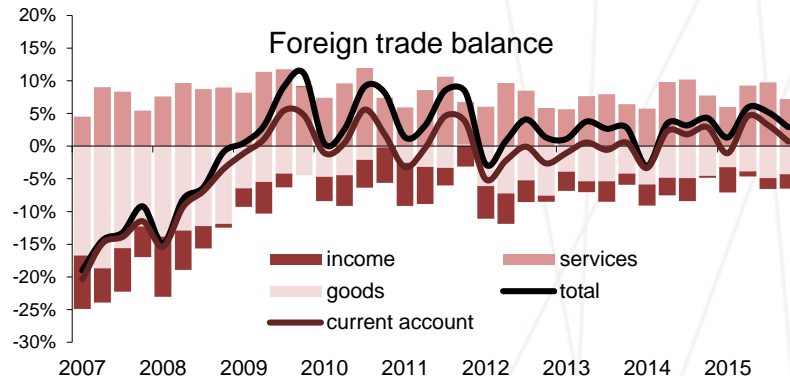
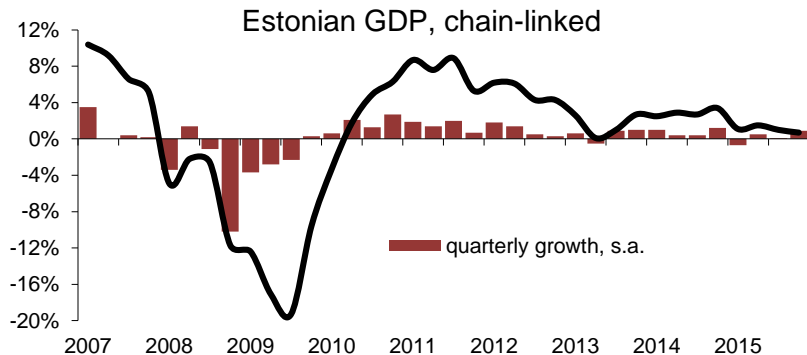
Economic environment

LHV

Economic environment

Macroeconomy – stable and balanced

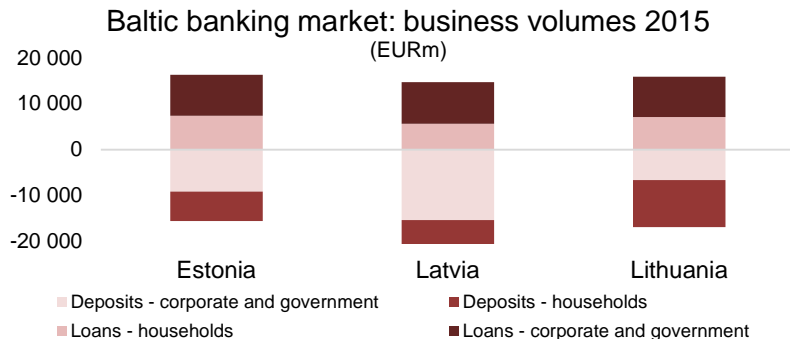
- The economic growth has dropped down to 2%. The forecast for the next three years is 2% - 3%
- The low levels of public sector debt, balanced budget and foreign trade balance keep national risks at bay
- The residential real estate market has recovered from the abrupt decline
- Economic growth is sluggish but without major risks



Economic environment

Regional financial markets – Estonia in good position

- Despite the difference in the size of the economies and the population, the banking markets of the three Baltic States are quite similar
- The impact of the economic crisis and the loan losses varied in the three countries. The banking sector's cumulative earnings before taxes for the past 8 years amount to 1 891 EURm in Estonia, 358 EURm in Lithuania and -491 EURm in Latvia
- The number of market participants is decreasing



	Credit institutions	Branches	Total
Estonia	9	7	16
Latvia	17	10	27
Lithuania	6	7	13

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